

Silver Flag Exercise Site

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Independent Government Estimate



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Overview

- **What is an Independent Government Estimate (IGE)**
- **Why do we need a IGE**
- **When is an IGE required and who does it**
- **Developing the IGE**
- **Sample IGE**
- **Conclusion**

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What is a Government Estimate?

- **Estimate of the resources and the estimated cost of those resources that would be incurred in the performance of the contract.**
- **Government estimate may be a complex breakdown or a single item cost estimate**
- **Should be tied to market research**
- **Government estimate must be**
 - **Current**
 - **Valid**
 - **Reliable**
- **Government estimates do not follow any specific format**



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The Need For Government Estimates

- **Why we Need a Government Estimate?**
 - **Used to evaluate acquisition proposals**
 - **To ensure contractor understands the requirement**
 - **Determine pre-negotiation objectives**
 - **Indicator of the resources required to perform the contract**
 - **Help determine cost realism (FAR 15.404-1)**
 - **Help determine cost reasonableness**
 - **It is required by law (FAR Part 36.203 and 36.605)**

- **Again, estimate must be current, valid, and reliable**

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When is a IGE Required?

- **All purchases should have a government estimate with basis for estimate**
- **Construction and A-E services over \$100,000 require a detailed government estimate**
- **Form 9 may be considered government estimate if supported by market research documentation**
- **All government estimates should be designated and stamped FOUO**
- **Again, estimate must be current, valid, and reliable**



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Who is Responsible to Compile an IGE

- **Requiring activity creates the IGE**
- **Requiring activities should check for previous requirements**
- **Contractors can also create an IGE providing that a Non-Disclosure agreement is completed**
- **Contracting personnel assistance to customers:**
 - **Complexity will dictate involvement**
 - **Can point customers in right direction for MR**



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Developing the Government Estimate

- **Detailed**
 - **Workforce (Labor, Burden & Fringe)**
 - **Other Direct Cost (Including materials, supplies, equipment, etc.)**
 - **Other Indirect Costs (usually includes G & A cost)**
 - **Profit or Fee**
- **Reasonable Past Purchase Price**
 - **Must be adjusted for economies of scale and period of performance**
- **Market Surveys**
 - **Ensure it is comparable to Government requirement**



Detailed Government Estimates

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- **Reasonable and reliable, based on estimated cost of resources a prudent contractor will incur in the performance of a contract.**
- **Labor**
 - **Manning (Number and type of skills required) & Wages**
 - **Burden/Fringe (Non-productive, fringe (health and welfare), taxes, workmen's compensation, insurance, retirement funds, etc.**
- **Other Direct Costs**
 - **Supplies, equipment, transportation, travel, uniforms, miscellaneous services & subcontracts, etc.**
- **General and Administrative (G & A)**
- **Profit/Fee**

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Verifying the IGE

- **Ask Questions Like...**
 - **How was the IGE Developed?**
 - **What Assumptions Were Made?**
 - **What Information and Tools Were Used?**
 - **Where was the Information Obtained?**
 - **How Did Previous Estimates Compare to Negotiated Costs?**



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Results of Poorly Constructed IGEs

- **Poorly developed IGE may result in:**
 - **Increased Acquisition Time**
 - **Need for Additional Funds**
 - **Incorrect Items**
 - **Cancellation of Form 9**
- **There should not be more than a 20% variance in the difference between the cost proposed, and the government estimate**



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Rough IGE Sample

<u>Elements</u>	<u>Amount</u>	<u>Note</u>
▪ Materials	\$20,000	1
▪ Direct Labor	440,320	2
▪ H & W	121,846	2
▪ PT&I	55,760	2
▪ Indirect Costs	361,290	3
▪ ODCs	<u>131,780</u>	4
▪ Subtotal	\$1,130,996	
▪ Profit/Fee	<u>49,961</u>	5
▪ TOTAL:	\$1,180,958	

Further Breakdowns Should Be Provided to Support These Figures



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Using the Government Estimate

- **Once the Contractors proposal is received it should be compared to IGE to determine if Contractor and Government have the same understanding of the requirement**
- **If the Contractor's proposal is way off from the IGE, coordinate a technical interchange meeting with Contracting to determine where differences are**
- **If requiring activity states that the Contractors proposal is more accurate, and difference exceeds 20%, our IGE should be reaccomplished**



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IGE Conclusion

- **Tool for comparison purposes in determining that a price is fair and reasonable**
- **Used by the Contracting Officer to evaluate proposals**
- **Gives basis for Contracting Officer's belief that the requirement is understood by the contractor**
- **Key tool used by Contracting Officer to determine proposal realism and balance among CLINs**
- **Detailed Government Estimate can be useful in establishing a pre-negotiation objective and assist in determining resources required to perform services**

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